

SENATE BILL No. 396

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-4-6.1; IC 6-1.1; IC 6-2.1-3-36; IC 6-3; IC 6-3.5.

Synopsis: Renaissance zones. Requires the enterprise zone board to designate areas within Indiana as renaissance zones. Provides relief from property taxes, the gross income tax, the adjusted gross income tax, the supplemental net income tax, the county adjusted gross income tax, the county option income tax, and the county economic development income tax to individuals residing in a renaissance zone and businesses located in a renaissance zone. Provides that real and personal property located in a renaissance zone may be assessed for payment of ad valorem property taxes committed to funding or paying bonded indebtedness or lease rentals in leases in which the original term is for at least five years.

Effective: July 1, 2001.

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January 18, 2001, read first time and referred to Committee on Energy and Economic Development.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

SENATE BILL No. 396

A BILL FOR AN ACT to amend the Indiana Code concerning economic development and taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-4-6.1-0.5 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2001]: **Sec. 0.5. The general assembly finds and declares that**
4 **there exists in Indiana a continuing need for programs to assist**
5 **certain local governmental units in encouraging economic**
6 **development, the consequent job creation and retention, and**
7 **ancillary economic growth in Indiana. To achieve these purposes,**
8 **it is necessary to enhance the enterprise zone program by enabling**
9 **the enterprise zone board to assist and encourage the creation of**
10 **renaissance zones and provide temporary relief from certain taxes**
11 **within the renaissance zones.**

12 SECTION 2. IC 4-4-6.1-1.1, AS AMENDED BY P.L.73-2000,
13 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14 JULY 1, 2001]: **Sec. 1.1. (a) As used in this chapter, "capital**
15 **improvements" refers to the following projects:**

- 16 **(1) Road and street maintenance or repair.**
17 **(2) Sidewalk construction, maintenance, or repair.**



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(3) Sewer construction, maintenance, or repair.

(4) Storm sewer construction, maintenance, or repair.

(5) Any other project to improve the physical environment of the zone.

(b) As used in this chapter, "development plan" means a written plan that addresses the criteria described in section 3.5 of this chapter and includes all the following:

(1) A map of the proposed renaissance zone that indicates the geographic boundaries, the total area, and the present use and conditions generally of the land and structures within those boundaries.

(2) Evidence of community support and commitment from residential and business interests within the community.

(3) A description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and identify job training opportunities.

(4) A description of current social, economic, and demographic characteristics of the proposed renaissance zone and anticipated improvements in education, health, human services, public safety, and employment if the renaissance zone is created.

(5) Any other information required by the board.

(c) As used in this chapter, "zone business" means any entity that accesses at least one (1) tax credit or exemption incentive available under this chapter, IC 6-1.1-20.8, IC 6-2.1-3-32, or IC 6-3-3-10.

SECTION 3. IC 4-4-6.1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. (a) The board has the following powers, in addition to other powers which are contained in this chapter:

(1) To review and approve or reject all applicants for enterprise zone designation, according to the criteria for designation which this chapter provides.

(2) To waive or modify rules as provided in this chapter.

(3) To provide a procedure by which enterprise zones may be monitored and evaluated on an annual basis.

(4) To adopt rules for the disqualification of a zone business from eligibility for any or all incentives available to zone businesses, if that zone business does not do one (1) of the following:

(A) If all of its incentives, as contained in the summary required under section 2.5 of this chapter, exceed one thousand dollars (\$1,000) in any year, pay a registration fee to the board in an amount equal to one percent (1%) of all of its

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- 1 incentives.
- 2 (B) Use all of its incentives, except for the amount of
- 3 registration fee, for its property or employees in the zone.
- 4 (C) Remain open and operating as a zone business for twelve
- 5 (12) months of the assessment year for which the incentive is
- 6 claimed.
- 7 (5) To disqualify a zone business from eligibility for any or all
- 8 incentives available to zone businesses in accordance with the
- 9 procedures set forth in the board's rules.
- 10 (6) After a recommendation from an urban enterprise association,
- 11 to modify an enterprise zone boundary if the board determines
- 12 that the modification:
- 13 (A) is in the best interests of the zone; and
- 14 (B) meets the threshold criteria and factors set forth in section
- 15 3 of this chapter.
- 16 (7) To employ staff and contract for services.
- 17 (8) To receive funds from any source and expend these funds for
- 18 the administration and promotion of the enterprise zone program.
- 19 (9) To make determinations under IC 6-3.1-11 concerning the
- 20 designation of locations as industrial recovery sites and the
- 21 availability of the credit provided by IC 6-1.1-20.7 to persons
- 22 owning inventory located on an industrial recovery site.
- 23 (10) To make determinations under IC 6-1.1-20.7 and IC 6-3.1-11
- 24 concerning the disqualification of persons from claiming credits
- 25 provided by those chapters in appropriate cases.
- 26 (11) To make determinations under IC 6-3.1-11.5 concerning the
- 27 designation of locations as military base recovery sites and the
- 28 availability of the credit provided by IC 6-3.1-11.5 to persons
- 29 making qualified investments in military base recovery sites.
- 30 (12) To make determinations under IC 6-3.1-11.5 concerning the
- 31 disqualification of persons from claiming the credit provided by
- 32 IC 6-3.1-11.5 in appropriate cases.
- 33 **(13) To do the following concerning renaissance zones:**
- 34 **(A) To review and approve or reject all applicants for**
- 35 **renaissance zone designation, according to the criteria for**
- 36 **designation set forth in this chapter.**
- 37 **(B) To approve or reject the geographic boundaries and**
- 38 **the total area of the renaissance zone as submitted in the**
- 39 **application.**
- 40 **(C) To approve or reject the duration of renaissance zone**
- 41 **status as submitted in the application.**
- 42 (b) In addition to a registration fee paid under subsection (a)(4),

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each zone business that receives a credit under this chapter shall assist the zone urban enterprise association created under section 4 of this chapter in an amount determined by the legislative body of the municipality in which the zone is located. If a zone business does not assist an urban enterprise association, the legislative body of the municipality in which the zone is located may pass an ordinance disqualifying a zone business from eligibility for all credits or incentives available to zone businesses. If a legislative body disqualifies a zone business under this subsection, the legislative body shall notify the board, the state board of tax commissioners, and the department of state revenue in writing within thirty (30) days of the passage of the ordinance disqualifying the zone business. Disqualification of a zone business under this section is effective beginning with the taxable year in which the ordinance disqualifying the zone business is passed.

(c) A zone urban enterprise association must use the assistance provided by each zone business under subsection (b) for capital improvements within the zone.

SECTION 4. IC 4-4-6.1-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3.5. (a) The board may designate up to twenty-five (25) renaissance zones. If a municipality that contains an enterprise zone designated under section 3 of this chapter applies to the board to have part of its enterprise zone designated as a renaissance zone, the board shall approve the municipality's application. There may not be more than one (1) renaissance zone in a municipality. However, a renaissance zone is not required to have a continuous boundary. A renaissance zone may include up to six (6) distinct geographical areas known as subzones.**

(b) After approval by resolution of the legislative body, the executive of a municipality that is not an included town under IC 36-3-1-7 may submit one (1) application to the enterprise zone board to have one (1) part of the municipality designated as a renaissance zone. If an application is denied, the executive may submit a new application. The board by rule shall provide application procedures.

(c) The board shall evaluate a renaissance zone application if it finds that the following threshold criteria exist in a proposed zone:

(1) A poverty level in which twenty-five percent (25%) of the households in the zone are below the poverty level as established by the most recent United States census or an average rate of unemployment for the most recent eighteen

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(18) month period for which data is available that is at least one and one-half (1 1/2) times the average statewide rate of unemployment for the same eighteen (18) month period.

(2) An area of more than three-fourths (3/4) square mile but less than six (6) square miles, entirely within the applicant municipality. However, if the zone includes a parcel of property that:

(A) is owned by the municipality; and

(B) has an area of at least twenty-five (25) acres;

the area of the zone may be increased above the six (6) square mile limitation by an amount not to exceed the area of the municipally owned parcel.

(3) The proposed renaissance zone does not contain more than six (6) distinct subzones. The minimum size of a subzone is as follows:

(A) For a subzone located in a municipality with a population of at least five hundred thousand (500,000) the subzone may not be less than thirty (30) acres.

(B) For a subzone located in a municipality with a population of at least fifty thousand (50,000) but less than five hundred thousand (500,000) the subzone may not be less than twenty (20) acres.

(C) For a subzone located in a municipality with a population of less than fifty thousand (50,000) the subzone may not be less than ten (10) acres.

(4) Property suitable for the development of a mix of commercial, industrial, and residential activities.

(5) The appointment of an urban enterprise association that meets the requirements of section 4 of this chapter.

(6) A statement by the applicant indicating the applicant's willingness to provide certain specified economic development incentives.

(d) If an applicant meets the threshold criteria of subsection (c), the board shall evaluate the application, arrive at a decision based on the following factors, and either designate a zone or reject the application:

(1) Level of poverty, unemployment, and general distress of the area in comparison with other applicant and nonapplicant municipalities and the expression of need for a renaissance zone over and above the threshold criteria contained in subsection (c).

(2) Evidence of support for designation by residents,

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businesses, and private organizations in the proposed zone, and the demonstration of a willingness among those zone constituents to participate in zone area revitalization.

(3) Efforts by the applicant municipality to reduce the impediments to development in the zone area where necessary, including the following:

(A) A procedure for streamlining local government regulations and permit procedures.

(B) Crime prevention activities involving zone residents.

(C) A plan for infrastructure improvements capable of supporting increased development activity.

(4) Significant efforts to encourage the reuse of existing zone structures in new development activities to preserve the existing character of the neighborhood, where appropriate.

(5) The proposed managerial structure of the zone and the capacity of the urban enterprise association to carry out the goals and purposes of this chapter.

(e) A renaissance zone expires fifteen (15) years after the date it is designated by the board.

(f) The enterprise zone board may not approve the enlargement of a renaissance zone's geographic boundaries unless the area to be enlarged meets the criteria of economic distress set forth in subsection (c)(1).

(g) The board may not do the following:

(1) Consider an application for renaissance zone designation if the application was submitted after September 30, 2002.

(2) Designate a renaissance zone before November 1, 2001, or after December 31, 2002.

SECTION 5. IC 4-4-6.1-6.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6.5. (a) A business that substantially reduces or ceases an operation located in Indiana and outside a renaissance zone (referred to as a non-zone operation) in order to relocate in an Indiana renaissance zone is disqualified from benefits or incentives available to zone businesses. Determinations under this section shall be made by a hearing panel composed of the chairman of the board or the chairman's designee, the commissioner of the department of state revenue or the commissioner's designee, and the chairman of the state board of tax commissioners or the chairman's designee. The panel, after an evidentiary hearing held subsequent to the relocation of the business, shall submit a recommended order to the board for its adoption. The



recommended order shall be based on the following criteria and subsection (b):

(1) A site-specific economic activity, including sales, leasing, service, manufacturing, production, storage of inventory, or any activity involving permanent full-time employees or part-time employees shall be considered a business operation.

(2) With respect to a non-zone operation, any of the following that occurs during the twelve (12) months before the completion of the physical relocation of all or part of the activity described in subdivision (1) from the non-zone operation to the zone as compared with the twelve (12) months before that twelve (12) months shall be considered a substantial reduction:

(A) A reduction in the average number of full-time employees or part-time employees of the lesser of one hundred (100) employees or twenty-five percent (25%) of all employees.

(B) A twenty-five percent (25%) reduction in the average number of goods manufactured or produced.

(C) A twenty-five percent (25%) reduction in the average value of services provided.

(D) A ten percent (10%) reduction in the average value of stored inventory.

(E) A twenty-five percent (25%) reduction in the average amount of gross income.

(b) Notwithstanding subsection (a), a business that would otherwise be disqualified under subsection (a) is eligible for benefits and incentives available to zone businesses if each of the following conditions is met:

(1) The business relocates its non-zone operation for any of the following reasons:

(A) The lease on property necessary for the non-zone operation has been involuntarily lost through no fault of the business.

(B) The space available at the location of the non-zone operation cannot accommodate planned expansion needed by the business.

(C) The building for the non-zone operation has been certified as uninhabitable by a state or local building authority.

(D) The building for the non-zone operation has been totally destroyed through no fault of the business.



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(E) The renovation and construction costs at the location of the non-zone operation are more than one and one-half (1 1/2) times the costs of purchase, renovation, and construction of a facility in the zone as certified by three (3) independent estimates.

A business is eligible for benefits and incentives under clause (C) or (D) only if renovation and construction costs at the location of the non-zone operation are more than one and one-half (1 1/2) times the cost of purchase, renovation, and construction of a facility in the zone. These costs must be certified by three (3) independent estimates.

(2) The business has not terminated or reduced the pension or health insurance obligations payable to employees or former employees of the non-zone operation without the consent of the employees.

(c) The hearing panel shall deliver to the business and to any person who testified before the panel in favor of disqualification of the business a copy of the panel's recommended order. The business and these persons shall be considered parties for purposes of this section.

(d) A party who wishes to oppose the board's adoption of the recommended order of the hearing panel shall, not later than ten (10) days after the party's receipt of the recommended order, file written objections with the board. If the objections are filed, the board shall set the objections for oral argument and give notice to the parties. A party, at its own expense, may cause to be filed with the board a transcript of the oral testimony or any other part of the record of the proceedings. The oral argument shall be on the record filed with the board. The board may hear additional evidence or remand the action to the hearing panel with instructions appropriate to the expeditious and proper disposition of the action. The board may adopt the recommendations of the hearing panel, amend or modify the recommendations, or make an order or determination as is proper on the record.

(e) If no objections are filed, the board may adopt the recommended order without oral argument. If the board does not adopt the proposed findings of fact and recommended order, the parties shall be notified and the action shall be set for oral argument as provided in subsection (d).

(f) The final determination made by the board shall be made by a majority of the quorum needed for board meetings.

SECTION 6. IC 4-4-6.1-9 IS ADDED TO THE INDIANA CODE



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AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) Except as provided in section 10 of this chapter, an individual who is a resident of a renaissance zone or a business that is located and conducts business activity inside a renaissance zone shall receive the exemption, deduction, or credit as provided in the following:

(1) IC 6-2.1-3-36 (the gross income tax).

(2) IC 6-3-2-19 (the adjusted gross income tax and county income taxes).

(3) IC 6-3-8-7 (the supplemental net income tax).

(b) Except as provided in section 10 of this chapter, real property and personal property located inside a renaissance zone are exempt from taxation under IC 6-1.1. However, real property and personal property are not exempt from ad valorem property tax levies committed to pay or fund either:

(1) bonded indebtedness; or

(2) lease rentals under a lease with an original term of at least five (5) years.

(c) During the last three (3) years that the taxpayer is eligible for an exemption, deduction, or credit described in subsections (a) and (b), the exemption, deduction, or credit shall be reduced by the following percentages:

(1) Twenty-five percent (25%) for the year that is two (2) years before the final year of designation as a renaissance zone.

(2) Fifty percent (50%) for the year that immediately precedes the final year of designation as a renaissance zone.

(3) Seventy-five percent (75%) for the final year of designation as a renaissance zone.

SECTION 7. IC 4-4-6.1-10 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. (a) An individual who is a resident of a renaissance zone, a business that is located and conducts business activity inside a renaissance zone, or a person that owns property located inside a renaissance zone is not eligible for the exemption, deduction, or credits described in section 9 of this chapter if the individual, business, or person is:

(1) delinquent in the payment of:

(A) a property tax assessed and imposed under IC 6-1.1; or

(B) a listed tax under IC 6-8.1; or

(2) not in substantial compliance with all applicable state and local zoning, building, and housing laws, ordinances, and



codes for residential rental property located inside a renaissance zone.

(b) An individual who is a resident of a renaissance zone is eligible for an exemption, deduction, or credit described in section 9 of this chapter until the department of state revenue determines that the aggregate state and local tax revenue foregone as a result of all exemptions, deductions, or credits granted under section 9 of this chapter to that individual reaches ten million dollars (\$10,000,000).

SECTION 8. IC 4-4-6.1-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 11. (a) An individual or business receiving an exemption, deduction, or credit described in section 9 of this chapter may not receive a tax incentive or benefit provided to an enterprise zone resident or business under the following statutes:

- (1) IC 6-1.1-20.8.
- (2) IC 6-2.1-3-32.
- (3) IC 6-3-2-8.
- (4) IC 6-3-3-10.
- (5) IC 6-3.1-7.
- (6) IC 6-3.1-10.

(b) An individual or business receiving an exemption, deduction, or credit described in section 9 of this chapter may not receive a tax credit provided under IC 6-3.1-9.

SECTION 9. IC 4-4-6.1-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 12. (a) The enterprise zone board shall prescribe the form of the application for a renaissance zone designation.

(b) The enterprise zone board shall contract with a state university to prepare an annual report to the general assembly on the economic effects of this chapter in each renaissance zone. The report must include the following information:

- (1) The number of new jobs created.
- (2) The percentage change in assessed value.
- (3) The average wage of new jobs created.
- (4) The percentage change of adjusted gross income of residents.

SECTION 10. IC 4-4-6.1-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 13. (a) The department of state revenue shall adopt rules and prescribe forms and returns necessary to implement this chapter.

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(b) The state board of tax commissioners shall adopt rules and prescribe forms and returns necessary to implement this chapter.

SECTION 11. IC 6-1.1-10-42 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 42. (a) Except as provided in subsection (b), real property and personal property located inside a renaissance zone are exempt from property taxation under this article.**

(b) Real property and personal property located inside a renaissance zone shall be assessed for the payment of ad valorem property tax levies committed to pay or fund either:

(1) bonded indebtedness; or

(2) lease rentals under a lease with an original term of at least five (5) years.

SECTION 12. IC 6-1.1-11-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3. (a)** The owner of tangible property who wishes to obtain an exemption from property taxation shall file a certified application in duplicate with the auditor of the county in which the property is located. The application must be filed annually on or before May 15 on forms prescribed by the state board of tax commissioners. Except as provided in sections 1, 3.5, and 4, and 4.5 of this chapter, the application applies only for the taxes imposed for the year for which the application is filed.

(b) The authority for signing an exemption application may not be delegated by the owner of the property to any other person except by an executed power of attorney.

(c) An exemption application which is required under this chapter shall contain the following information:

(1) A description of the property claimed to be exempt in sufficient detail to afford identification.

(2) A statement showing the ownership, possession, and use of the property.

(3) The grounds for claiming the exemption.

(4) The full name and address of the applicant.

(5) Any additional information which the state board of tax commissioners may require.

SECTION 13. IC 6-1.1-11-4.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 4.5. (a) An owner of real property or personal property located inside a renaissance zone who wishes to obtain the exemption provided under IC 6-1.1-10-42 must file a certified application in duplicate with the auditor of the county in**

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1 which the property is located. The application must be filed before
2 February 16 on forms prescribed by the state board of tax
3 commissioners.

4 (b) The authority for signing an exemption application may not
5 be delegated by the owner of the property to any other person
6 except by an executed power of attorney.

7 (c) An exemption application required under this section must
8 contain the following information:

9 (1) A description of the property claimed as exempt in
10 sufficient detail to enable identification.

11 (2) A statement showing the ownership of the property.

12 (3) The grounds for claiming the exemption.

13 (4) The full name and address of the applicant.

14 (5) Any additional information the state board of tax
15 commissioners may require.

16 (d) The owner of real property or personal property located
17 inside a renaissance zone is not required to file an additional
18 application if the owner remains eligible for a renaissance zone tax
19 exemption under IC 6-1.1-10-42.

20 SECTION 14. IC 6-2.1-3-36 IS ADDED TO THE INDIANA CODE
21 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
22 1, 2001]: Sec. 36. (a) As used in this section, "gross income derived
23 from sources inside a renaissance zone" means:

24 (1) gross income from real or tangible personal property
25 located inside a renaissance zone;

26 (2) income from doing business inside a renaissance zone;

27 (3) income from a trade or profession conducted inside a
28 renaissance zone;

29 (4) compensation for labor or services rendered inside a
30 renaissance zone; and

31 (5) income from stocks, bonds, notes, bank deposits, patents,
32 copyrights, secret processes and formulas, good will,
33 trademarks, trade brands, franchises, and other intangible
34 personal property having a situs inside a renaissance zone.

35 However, for nonbusiness income described in subsection (i), only
36 so much of the income as is allocated to a renaissance zone under
37 subsections (j) through (m) is considered derived from sources
38 inside a renaissance zone. For business income only so much of the
39 income as is apportioned to a renaissance zone under subsection (d)
40 is considered derived from sources inside a renaissance zone.

41 (b) As used in this section, "renaissance zone" means a
42 renaissance zone created under IC 4-4-6.1-3.5.

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1 (c) Gross income derived from sources inside a renaissance zone
2 is exempt from the gross income tax.

3 (d) If business income derived from sources inside a renaissance
4 zone cannot be separated from the business income derived from
5 sources outside the renaissance zone, the business income derived
6 from sources inside the renaissance zone is determined by
7 multiplying the business income derived from sources both inside
8 and outside the renaissance zone by a fraction. The numerator of
9 the fraction is the property factor described in subsection (e), plus
10 the payroll factor described in subsection (f), plus the sales factor
11 described in subsection (g). The denominator of the fraction is
12 three (3).

13 (e) The property factor is a fraction. The numerator of the
14 fraction is the average value of the taxpayer's real property and
15 tangible personal property owned or rented and used in a
16 renaissance zone during the taxable year. The denominator of the
17 fraction is the average value of all the taxpayer's real property and
18 tangible personal property owned or rented and used during the
19 taxable year. Property owned by the taxpayer is valued at its
20 original cost. Property rented by the taxpayer is valued at eight (8)
21 times the net annual rental rate. Net annual rental rate is the
22 annual rental rate paid by the taxpayer less any annual rental rate
23 received by the taxpayer from subrentals. The average of property
24 is determined by averaging the values at the beginning and end of
25 the taxable year, but the department may require the averaging of
26 monthly values during the taxable year if reasonably required to
27 reflect properly the average value of the taxpayer's property.

28 (f) The payroll factor is a fraction. The numerator of the
29 fraction is the total amount paid in a renaissance zone during the
30 taxable year by the taxpayer for compensation. The denominator
31 of the fraction is the total compensation paid everywhere during
32 the taxable year by the taxpayer. Compensation is paid in a
33 renaissance zone if:

34 (1) the individual's service is performed entirely within the
35 renaissance zone;

36 (2) the individual's service is performed both inside and
37 outside the renaissance zone, but the service performed
38 outside the renaissance zone is incidental to the individual's
39 service inside the renaissance zone; or

40 (3) some of the service is performed inside the renaissance
41 zone and:

42 (A) the base of operations or, if there is no base of

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operations, the place from which the service is directed or controlled, is inside the renaissance zone; or

(B) there is no base of operations or place from which the service is directed or controlled, but the individual is a resident of the renaissance zone.

(g) The sales factor is a fraction. The numerator of the fraction is the total sales of the taxpayer inside a renaissance zone during the taxable year. The denominator of the fraction is the total sales of the taxpayer everywhere during the taxable year. Sales of tangible personal property are in a renaissance zone if:

(1) the property is delivered or shipped to a purchaser, other than the United States government, inside the renaissance zone, regardless of the f.o.b. point or other conditions of the sale; or

(2) the property is shipped from an office, store, warehouse, factory, or other place of storage inside the renaissance zone and either the purchaser is the United States government or the taxpayer is not taxable in the state of the purchaser.

(h) Sales, other than sales of tangible personal property, are inside a renaissance zone if:

(1) the income-producing activity is performed inside the renaissance zone; or

(2) the income-producing activity is performed both inside and outside the renaissance zone and a greater proportion of the income-producing activity is performed inside the renaissance zone than outside the renaissance zone, based on costs of performance.

(i) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute nonbusiness income, are allocated as provided in subsections (j) through (m).

(j) Net rents and royalties from:

(1) real property located inside a renaissance zone are allocable to the renaissance zone; and

(2) tangible personal property are allocated to a renaissance zone to the extent that the property is used inside the renaissance zone.

The extent of use of tangible personal property inside a renaissance zone is determined by multiplying the rents and royalties by a fraction. The numerator of the fraction is the number of days of physical location of the property inside the renaissance zone during the rental or royalty period in the taxable year. The denominator

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of the fraction is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or is not ascertainable by the taxpayer, tangible personal property is used where the royalty payor obtained possession of the property.

(k) Capital gains and losses from sales of:

(1) real property located inside a renaissance zone are allocable to the renaissance zone;

(2) tangible personal property are allocable to a renaissance zone if the property had a situs inside the renaissance zone at the time of the sale; and

(3) intangible personal property are allocable to a renaissance zone if the taxpayer's commercial domicile is inside the renaissance zone.

(l) Interest and dividends are allocable to a renaissance zone if the taxpayer's commercial domicile is inside the renaissance zone.

(m) Patent and copyright royalties are allocable to a renaissance zone to the extent that the patent or copyright is used by the taxpayer inside the renaissance zone. A patent is used inside a renaissance zone to the extent that it is used in production, fabrication, manufacturing, or other processing inside the renaissance zone or to the extent that a patented product is produced inside the renaissance zone. If the basis of receipts from patent royalties does not permit allocation to renaissance zones or if the accounting procedures do not reflect location of use, the patent is used at the location of the taxpayer's commercial domicile. A copyright is used inside a renaissance zone to the extent that printing or other publication originates inside the renaissance zone. If the basis of receipts from copyright royalties does not permit allocation to renaissance zones or if the accounting procedures do not reflect location of use, the copyright is used at the location of the taxpayer's commercial domicile.

(n) If the allocation and apportionment provisions of this section do not fairly represent the taxpayer's income derived from sources inside a renaissance zone, the taxpayer may petition for or the department may require, with respect to all or any part of the taxpayer's business activity:

(1) a separate accounting;

(2) the exclusion of any one (1) or more of the factors listed in this section;

(3) the inclusion of one (1) or more additional factors that will

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1 fairly represent the taxpayer's income derived from sources
2 inside the renaissance zone; or

3 (4) the employment of any other method to effectuate an
4 equitable allocation and apportionment of the taxpayer's
5 income.

6 (o) In the case of at least two (2) organizations, trades, or
7 businesses owned or controlled directly or indirectly by the same
8 interests, the department shall distribute, apportion, or allocate the
9 income derived from sources inside a renaissance zone among
10 those organizations, trades, or businesses in order to fairly reflect
11 and report the income derived from sources inside the renaissance
12 zone by various taxpayers.

13 (p) A taxpayer that:

14 (1) does not own, rent, or lease real property outside a
15 renaissance zone that is an integral part of its trade or
16 business; and

17 (2) is not owned or controlled directly or indirectly by a
18 taxpayer that owns, rents, or leases real property outside a
19 renaissance zone;

20 is exempt from the allocation and apportionment provisions of this
21 section.

22 SECTION 15. IC 6-3-2-19 IS ADDED TO THE INDIANA CODE
23 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
24 1, 2001]: Sec. 19. (a) Income received by an individual who resides
25 inside a renaissance zone is exempt from taxation under IC 6-3-1
26 through IC 6-3-7. An individual must reside inside a renaissance
27 zone one hundred eighty-three (183) days before the individual is
28 eligible for an exemption under this section.

29 (b) The employer of an individual who qualifies for an
30 exemption under this section may not withhold taxes imposed
31 under the following statutes with respect to the individual:

32 (1) IC 6-3 (the adjusted gross income tax).

33 (2) IC 6-3.5-1.1 (the county adjusted gross income tax).

34 (3) IC 6-3.5-6 (the county option income tax).

35 (4) IC 6-3.5-7 (the county economic development income tax).

36 (c) The department shall adopt rules and prescribe forms
37 necessary to implement this section.

38 SECTION 16. IC 6-3-8-2 IS AMENDED TO READ AS FOLLOWS
39 [EFFECTIVE JULY 1, 2001]: Sec. 2. (a) As used in this chapter, the
40 term "corporation" shall mean and apply to corporations and shall also
41 mean and apply to banks and trust companies, national banking
42 associations, mutual savings banks, and savings and loan associations



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not subject to taxation under the financial institutions tax (IC 6-5.5) and domestic insurance companies organized under the laws of the state of Indiana notwithstanding that such organizations are exempt from the tax imposed on adjusted gross income pursuant to IC 6-3-2-1 whether such exemption is accorded under the provisions of IC 6-3-2-2.8(3) or IC 6-3-2-2.8(4), or under the provisions of IC 27-1-18-2, as such section pertains to domestic insurance companies, or under the provisions of any other law of the state of Indiana.

(b) The term "net income" shall mean adjusted gross income derived from sources within the state of Indiana, as determined in accordance with the provisions of IC 6-3-2-2, adjusted as follows: Subtract an amount equal to the greater of:

- (1) the amount of tax imposed by IC 6-3-2 on the taxpayer's adjusted gross income for the same taxable year (before the allowance of credits provided for in IC 6-3);
- (2) the amount of tax imposed on the gross income of the taxpayer for such taxable year by IC 6-2.1; or
- (3) the amount of tax imposed on premiums received on policies of insurance by IC 27-1-18-2.

(c) However, in the case of domestic insurance companies organized under the laws of the state of Indiana, the term "net income" shall mean:

(1) either:

- (A) for life insurance companies (as defined in Section 816(a) of the Internal Revenue Code), life insurance company taxable income (as defined in Section 801 of the Internal Revenue Code); or
- (B) for insurance companies subjected to the imposition of tax under Section 831 of the Internal Revenue Code, taxable income (as defined in Section 832 of the Internal Revenue Code); multiplied by

(2) a fraction:

- (A) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in this state; and
- (B) the denominator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks everywhere; and

(3) the product of such multiplication shall be adjusted as follows: Subtract an amount equal to the greater of either:

- (A) the amount of tax imposed on the gross income of the taxpayer by IC 6-2.1 and paid by the taxpayer for the same

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1 taxable year; or

2 (B) the amount of tax imposed on the gross premiums of the
3 taxpayer and paid by the taxpayer pursuant to IC 27-1-18-2 for
4 the same taxable year.

5 (d) For the purpose of subsection (c), the term "direct premiums and
6 annuity considerations" shall be defined as gross premiums received
7 from direct business, as reported in the company's annual statement
8 filed with the insurance department of this state on the form prescribed.

9 (e) **As used in this chapter, "income derived from sources inside
10 a renaissance zone" has the meaning set forth in IC 6-2.1-3-36 for
11 "gross income derived from sources inside a renaissance zone".**

12 SECTION 17. IC 6-3-8-7 IS ADDED TO THE INDIANA CODE
13 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
14 1, 2001]: **Sec. 7. Income derived from sources inside a renaissance
15 zone is exempt from the imposition of the supplemental net income
16 tax.**

17 SECTION 18. IC 6-3.5-1.1-1 IS AMENDED TO READ AS
18 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this
19 chapter:

20 "Adjusted gross income" has the same definition that the term is
21 given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer
22 who is not a resident of a county that has imposed the county adjusted
23 gross income tax, the term includes only adjusted gross income derived
24 from his principal place of business or employment.

25 "Civil taxing unit" means any entity having the power to impose ad
26 valorem property taxes except a school corporation. The term does not
27 include a solid waste management district that is not entitled to a
28 distribution under section 1.3 of this chapter. However, in the case of
29 a consolidated city, the term "civil taxing unit" includes the
30 consolidated city and all special taxing districts, all special service
31 districts, and all entities whose budgets and property tax levies are
32 subject to review under IC 36-3-6-9.

33 "County council" includes the city-county council of a consolidated
34 city.

35 "County taxpayer" as it relates to a county for a year means any
36 individual:

37 (1) who resides in that county on the date specified in section 16
38 of this chapter; or

39 (2) who maintains his principal place of business or employment
40 in that county on the date specified in section 16 of this chapter
41 and who does not on that same date reside in another county in
42 which the county adjusted gross income tax, the county option

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income tax, or the county economic development income tax is in effect.

"Department" refers to the Indiana department of state revenue.

"Nonresident county taxpayer" as it relates to a county for a year means any county taxpayer for that county for that year who is not a resident county taxpayer of that county for that year.

"Renaissance zone" refers to a renaissance zone established under IC 4-4-6.1-3.5.

"Resident county taxpayer" as it relates to a county for a year means any county taxpayer who resides in that county on the date specified in section 16 of this chapter.

"School corporation" means any public school corporation established under Indiana law.

SECTION 19. IC 6-3.5-1.1-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 1.5. Income received by an individual who resides inside a renaissance zone is exempt from the county adjusted gross income tax. An individual must reside inside a renaissance zone one hundred eighty-three (183) days before the individual is eligible for an exemption under this section.**

SECTION 20. IC 6-3.5-1.1-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 18. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) remittances;
- (5) incorporation of the provisions of the Internal Revenue Code;
- (6) penalties and interest;
- (7) exclusion of military pay credits for withholding; and
- (8) exemptions and deductions;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings attributable to each county. This report shall be submitted annually along with the employer's annual withholding report.

(d) Notwithstanding subsections (a) and (b), the employer of an individual who qualifies for an exemption under section 1.5 of this

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chapter may not withhold the tax imposed under this chapter with respect to the individual. The department shall adopt rules and prescribe forms necessary to implement this subsection.

SECTION 21. IC 6-3.5-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this chapter:

"Adjusted gross income" has the same definition that the term is given in IC 6-3-1-3.5. However, in the case of a county taxpayer who is not treated as a resident county taxpayer of a county, the term includes only adjusted gross income derived from his principal place of business or employment.

"Civil taxing unit" means any entity, except a school corporation, that has the power to impose ad valorem property taxes. The term does not include a solid waste management district that is not entitled to a distribution under section 1.3 of this chapter. However, in the case of a county in which a consolidated city is located, the consolidated city, the county, all special taxing districts, special service districts, included towns (as defined in IC 36-3-1-7), and all other political subdivisions except townships, excluded cities (as defined in IC 36-3-1-7), and school corporations shall be deemed to comprise one (1) civil taxing unit whose fiscal body is the fiscal body of the consolidated city.

"County income tax council" means a council established by section 2 of this chapter.

"County taxpayer", as it relates to a particular county, means any individual:

- (1) who resides in that county on the date specified in section 20 of this chapter; or
- (2) who maintains his principal place of business or employment in that county on the date specified in section 20 of this chapter and who does not reside on that same date in another county in which the county option income tax, the county adjusted income tax, or the county economic development income tax is in effect.

"Department" refers to the Indiana department of state revenue.

"Fiscal body" has the same definition that the term is given in IC 36-1-2-6.

"Renaissance zone" refers to a renaissance zone established under IC 4-4-6.1-3.5.

"Resident county taxpayer", as it relates to a particular county, means any county taxpayer who resides in that county on the date specified in section 20 of this chapter.

"School corporation" has the same definition that the term is given in IC 6-1.1-1-16.

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SECTION 22. IC 6-3.5-6-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 1.5. Income received by an individual who resides inside a renaissance zone is exempt from the county option income tax. An individual must reside inside a renaissance zone one hundred eighty-three (183) days before the individual is eligible for an exemption under this section.**

SECTION 23. IC 6-3.5-6-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 22. (a) Except as otherwise provided in subsection (b) and the other provisions of this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) deductions or exemptions from adjusted gross income;
- (5) remittances;
- (6) incorporation of the provisions of the Internal Revenue Code;
- (7) penalties and interest; and
- (8) exclusion of military pay credits for withholding;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings attributable to each county. This report shall be submitted along with the employer's other withholding report.

(d) Notwithstanding subsections (a) and (b), the employer of an individual who qualifies for an exemption under section 1.5 of this chapter may not withhold the tax imposed under this chapter with respect to the individual. The department shall adopt rules and prescribe forms necessary to implement this subsection.

SECTION 24. IC 6-3.5-7-4.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 4.5. As used in this chapter, "renaissance zone" refers to a renaissance zone established under IC 4-4-6.1-3.5.**

SECTION 25. IC 6-3.5-7-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 5.5. Income received by an individual who resides inside a renaissance zone is exempt from the**

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1 **county economic development income tax. An individual must**
 2 **reside inside a renaissance zone one hundred eighty-three (183)**
 3 **days before the individual is eligible for an exemption under this**
 4 **section.**

5 SECTION 26. IC 6-3.5-7-18 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 18. (a) Except as
 7 otherwise provided in this chapter, all provisions of the adjusted gross
 8 income tax law (IC 6-3) concerning:

- 9 (1) definitions;
- 10 (2) declarations of estimated tax;
- 11 (3) filing of returns;
- 12 (4) remittances;
- 13 (5) incorporation of the provisions of the Internal Revenue Code;
- 14 (6) penalties and interest;
- 15 (7) exclusion of military pay credits for withholding; and
- 16 (8) exemptions and deductions;

17 apply to the imposition, collection, and administration of the tax
 18 imposed by this chapter.

19 (b) The provisions of ~~IC~~ IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5,
 20 and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

21 (c) Notwithstanding subsections (a) and (b), each employer shall
 22 report to the department the amount of withholdings attributable to
 23 each county. This report shall be submitted annually along with the
 24 employer's annual withholding report.

25 **(d) Notwithstanding subsections (a) and (b), the employer of an**
 26 **individual who qualifies for an exemption under section 5.5 of this**
 27 **chapter may not withhold the tax imposed under this chapter with**
 28 **respect to the individual. The department shall adopt rules and**
 29 **prescribe forms necessary to implement this subsection.**

30 SECTION 27. [EFFECTIVE JULY 1, 2001] (a) ~~IC 6-1.1-10-42 and~~
 31 ~~IC 6-1.1-11-4.5, both as added by this act, apply to property taxes~~
 32 ~~first due and payable after December 31, 2001.~~

33 (b) IC 6-2.1-3-36, IC 6-3-2-19, IC 6-3-8-7, IC 6-3.5-1.1-1.5,
 34 IC 6-3.5-6-1.5, and IC 6-3.5-7-5.5, all as added by this act, apply to
 35 taxable years beginning after December 31, 2001.

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